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ALASKA ECONOMIC TRENDS

Alaska Department of Labor Bill Sheffield, Governor, State of Alaska

Alaska Economic Trends

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Contents

Economic Outlook-Alaska 1
Economic Outlook-Anchorage 8
Economic Outlook-Fairbanks 12
Economic Outlook-Southeast Alaska 16

Alaska-*What Others Say About 1986-87* 21
Anchorage/MatSu-*October Employment Trends* 26
Fairbanks/Interior-*Winter Chills Interior Economy* 28
Gulf Coast-*Gulf Coast Unemployment Climbs* 30
Southeast Alaska-*October Employment Down 5.5%* 31
Hours and Earnings-*Benchmark and Hours and Earnings* . 32

Labor Force by Region and Census Area . . . . Center Insert

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The following notes pertain to Nonagricultural Wage and Salary Employment Tables:

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark date March 1984.

P/ Denotes preliminary estimates.
R/ Denotes revised estimates.

Economic Outlook-Alaska

By Edward Eboch

Government has been and continues to be a major force in Alaska's economy. Upon completion of the oil pipeline in mid-1977, Alaska's economy entered a period of growth dominated by petroleum. State oil tax revenues increased rapidly with the jump in world oil prices in 1979 and 1980. By the 1985 Alaska fiscal year (7/1/84-6/30/85) revenues from oil accounted for approximately 90% of total state revenues. The result of this growth in state revenues was rapid expansion of state employment, additional fiscal support to local communities, and expansion of state funded programs and capital projects.

The state's total general fund unrestricted revenues increased from $333 million in 1975 to $765 million in 1978 and to over $4,100 million in 1982, the peak year for state tax revenues. Since 1982, state revenues have declined to an estimated $3,314 million for fiscal year 1985. Delays in state capital construction projects, the lag effect of state expenditures and a continued high level of state expenditures added impetus to recent economic growth. Speculation has been that falling oil prices will result in an economic decline in Alaska, however, unless world oil prices collapse, Alaska will enjoy continued economic expansion, albeit slowly.

The decline in oil prices and corresponding decline in state tax revenues forces Alaska's economy to look to other areas for continued employment growth. As Alaska's economy matures, expansion in the finance, services, and trade industries will provide the basis for growth in employment. Employment growth over the next two years will occur as the economy adjusts to changes in the size and make-up of the population. These changes include natural increases (births over deaths) and a population that has a large, growing age group that typically spends more than its income to buy cars, houses and to educate their children.

Alaska's nonagricultural employment is estimated to have increased 2.4% in 1985. This compares to 4.9% growth in 1984, 6.3% in 1983, and 7.2% in 1982. While Alaska's economy is unlikely to experience the rates of employment growth of the early 1980s, employment growth will be disappointing only in that comparative sense. Growth in employment will average around 2% during 1986-1987 which would seem acceptable were it not for expectations built up during years of high growth.

Alaska Hours and Earnings for Selected Industries 1/ 2/

	Average Hourly Earnings			Average Weekly Hours			Average Weekly Earnings		
	P/ 9/85	R/ 8/85	9/84	P/ 9/85	R/ 8/85	9/84	P/ 9/85	R/ 8/85	9/84
Mining	$24.17	$23.90	$23.71	51.2	51.6	50.4	$1237.50	$1233.24	$1194.98
Construction	24.93	24.53	24.84	41.6	43.2	45.4	1037.09	1059.70	1127.74
Manufacturing	12.89	10.90	12.52	41.5	43.3	36.5	534.94	471.97	456.98
Food & Kindred Prod.	10.24	8.86	9.01	39.4	42.8	34.6	403.46	379.21	311.75
Lumber & Paper Prod.	16.71	16.64	16.69	46.8	46.2	35.3	782.03	768.77	589.16
Trans., Comm. & Utilities	15.28	15.56	15.85	40.1	39.2	38.5	612.73	609.95	610.23
Trade	11.91	11.44	10.75	34.0	34.3	35.3	404.94	392.39	379.48
Wholesale	14.73	14.22	13.41	38.1	37.9	39.5	561.21	538.94	529.70
Retail Trade	10.65	10.25	9.61	32.4	33.0	33.8	345.06	338.25	324.82
Finance, Ins. & R.E.	—	—	—	—	—	—	425.91	408.37	389.69

1/ Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor.

2/ Excludes eating and drinking establishments.

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and non-supervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

Mining

Although declining oil prices have affected expectations about the oil and gas industry, employment in mining is forecast to increase. Presently, oil and gas employment accounts for approximately 90% of Alaska's mining employment. North Slope development projects have been responsible for recent increases in mining employment and will account for increases during the forecast period. As North Slope fields mature and less productive fields are brought on line the industry will become more labor intensive. Because of the lead time required to find and develop oil and gas fields, exploration activities will remain at levels of the past two years.

The Usibelli Mine near Healy, Alaska, will likely increase employment in response to increased demand for coal from Korea but no significant increase in coal mining employment is expected until the Beluga coal fields are brought into production, at the earliest, near the end of the forecast period. No significant increase in mineral mining employment is expected until improvements in mineral prices become apparent. Even then it is unlikely that any of the deposits now under development will begin production before the late 1980s. Employment related to industrial mineral mining, which is impacted by construction activities, will decline slightly during this time as forecasts indicate a decline in construction activities.

Construction

Military and North Slope construction increases will moderate declines caused by residential and commercial overbuilding and decreasing state supported construction. It is estimated that construction employment declined by 6.9% in 1985 and declines of 7.2% in 1986 and 10.6% in 1987 are forecast. This orderly contraction in construction to a more sustainable level is good news. Because of extensive overbuilding in some segments of the economy there was the danger of a collapse in construction activities. Increasing military and related civilian employment in Alaska and previously planned oil related construction have alleviated this concern.

Long term construction employment will begin to grow again as the excess inventory of residential and commercial space is consumed over the next two years. Construction has always contributed less to secondary and tertiary industries in Alaska so a decline in construction activity will not have much impact on the local economy. Much of the decline in employment will be from the nonresident population so that the loss of salaries means less than in other industries.

Manufacturing

The significance of the manufacturing industry to Alaska's economy is often overlooked. One problem is that nonagricultural wage and salary employment estimates do not include estimates of fish harvesting (the fishermen) employment but only include fish processing employment. Total employment in the fishing industry is nearly twice that reported under food and kindred product employment which is largely employment in fish processing. In addition, this industry is the mainstay of the economy in many communities around the state, adding both industry and geographic diversity to Alaska's economy.

Employment in manufacturing is forecast to grow an average of 2% per year over the next two years, with most of the growth in fishing related employment. Declines in fish processing employment over the past two years were the result of poor shellfish harvests. Employment increased in 1985 and is forecast to continue increasing in 1986 and 1987. The 1985 commercial salmon season was estimated to be the largest in history and for the fifth straight year the harvest exceeded 100 million fish. Stability of the record salmon runs can be attributed to several factors including supplemental production from state and private hatcheries. Since the hatchery program was introduced growth in the fry release has been paralleled by an increase in the salmon catch. There has also been steady development and increased employment in the bottomfish industry in Alaska. With the emphasis on the benefits of fish products as a substitute for red meat in America's diet this industry is well positioned for continued growth.

Unfortunately the outlook for the other areas of manufacturing are not as bright. The lumber industry is forecast to continue to have slight declines over the next two years. Most of the losses in this industry have occurred in the pulp and sawmills in the Southeast while the logging sector has remained strong. This can be partially attributed to the fact that logs from privately owned lands do not require processing before export. There is some slight growth anticipated in other areas of the state as small sawmills process lumber for local consumption.

The third area of manufacturing in Alaska is made up largely of newspapers and other printing firms, oil refining and chemical production, and construction related manufacturing. Employment related to the manufacturing of construction products such as concrete blocks is expected to decline as construction declines. These losses will offset any slight gains in other manufacturing firms.

Transportation, Communications, and Utilities

The transportation, communications, and utilities industry is forecast to grow in line with overall employment. The trucking and warehousing segment of this industry will be affected by declines in construction related activity. Employment declines in the trucking and warehousing sector are forecast for 1986 and only a slight increase is forecast for 1987. After a disappointing 1984 for water transportation employment this segment of the industry appears to have rebounded in 1985 and continued growth is expected over the next two years. Much of the loss in employment in 1984 was because of improvements in the way material was handled and an off year for North Slope activity. With oil industry activities on the North Slope increasing, 1985 through 1987 should be steady growth years for water transportation.

The air and miscellaneous transportation segment will increase with improved tourism traffic and the increase in school bus needs. The other transportation and communications segment will not see gains in employment as technological advances in the communications area and associated declines in employment will offset slight employment gains in electric, gas and other utilities.

Trade

Trade, along with services and the finance and insurance industries, will provide some of the strongest areas of growth over the next two years. Besides the growing population and changing demographics more goods and services that previously were provided from outside the state will be available in Alaska. This trend will continue as the Alaska economy matures.

Growth in wholesale and retail trade employment will be dampened somewhat by the decline in construction. Year to year employment declines occurred during 1985 in construction related retail establishments such as hardware stores, lumber yards and furniture stores. This is reflected in the anemic growth in employment in the other trade sector. However, gains in tourism traffic, as the dollar's value to other currencies continues to improve, will result in substantial gains in tourism related trade employment.

Finance, Insurance and Real Estate

Financial services remain an area that offers substantial opportunities in Alaska over the next several years. It has only been in the last few years that many financial services available in the rest of the U.S. became available in Alaska. Changes in the banking industry have made it easier for firms to provide the full range of financial services.

another sign that Alaska's economy has reached a maturity not previously seen.

Services and Miscellaneous

Nearly all sectors of this industry are expected to have gains in employment. Again, decline in construction is the only negative news as engineering and architect firms and other firms that depend on construction for a substantial part of their business will experience slight declines in employment. However, these declines will be more than offset by gains in employment in hotels, medical services, and business and personal services.

Government

Growth in the state's operating and capital budget during the early 1980s was a major contributor to employment growth in Alaska. With growth in state expenditures, employment in state government grew from 15,400 in 1980 to 20,500 in 1985, a 33% increase. With state expenditures providing the bulk of funds to local communities, local employment also grew during this period from 21,800 in 1980 to an estimated 30,800 in 1985.

Because of the important role the state plays in Alaska's economy, there is concern about what will happen to state expenditures given the current world oil situation. While declines in the price of oil mean a tighter state budget, prospects for settlement of the Trans Alaska Pipeline Tariff Case, as well as other revenue sources to the state could mitigate the impact of lower oil prices. It is assumed in this forecast that the state will successfully settle in the TAPS tariff case and will utilize other revenue sources if necessary to keep from reducing state expenditures drastically.

While local government employment has increased rapidly the past few years, Alaska's local governments provide fewer services than their counterparts in comparably sized communities of the U.S. Growing pressure for these services will force communities to increase local taxes to provide additional revenue to pay for these services. As a result, local government employment will continue to make gains through 1987.

The federal government continues to expand its presence in Alaska. A growing military presence, interest in Alaska's fisheries, oil exploration on federal lands, and increased air traffic as well as the demands of a growing population on mail and other federal services will keep federal government growing.

Summary

While there may be reason for concern about the performance of the Alaska economy over the next several years, the disappointment will be with the rate of growth in employment, not the lack of growth. With Alaska's wealth of natural resources the long term outlook is very attractive and the next few years may be a period of opportunity for those with a longer term vision. The expanding military presence and planned activities on the North Slope will limit the impact of reduced state spending as a changing and growing population will provide a base for continued expansion.

Economic Outlook-Anchorage

By Greg Huff

The Anchorage employment forecast for 1986 and 1987 projects moderate growth in all industries except construction. Declines in construction will be due to overbuilding in residential and commercial markets and leveling population and income. This is a continuation of a trend that began in 1985. From 1980 to 1984 employment grew over 41% while construction employment grew 85%. In 1985 total employment grew a less dynamic 3.2% while construction employment fell 6.5%. Total employment is forecast to increase 1.8% in 1986 and 2.1% in 1987 with construction employment decreasing by 9.6% in 1986 and 7.6% in 1987.

Anchorage employment growth is forecast to outpace statewide employment in 1987 because Anchorage will not feel the full repercussions of a depressed pulp and lumber industry and king crab fishery; however, Anchorage employment is forecast to grow more slowly than Fairbanks employment because of the army's planned expansion in Fairbanks. Anchorage, the primary commerce and distribution center for the state will receive economic stimulus from growth in other areas of the state, particularly from North Slope oil field development.

Mining

Despite the well publicized reorganization and streamlining in the national operations of Anchorage based oil companies, employment in the mining sector has continued to grow and is forecast to increase 6.0% in 1986 and 4.5% in 1987. Oil and gas operations represent over 94% of mining employment in Anchorage. Anchorage support staffs for North Slope oil and gas operations will grow in response to ongo-

Table 1
Industrial Employment Forecast
Monthly Average Employment by Quarter
Alaska

	Q1 1986	Q2 1986	Q3 1986	Q4 1986	Q1 1987	Q2 1987	Q3 1987	Q4 1987
Nonag. Wage & Salary	224700	235250	249800	233650	234950	248150	258350	236050
Construction	13400	17450	21550	17300	11950	16000	20100	14550
Mining	9350	9500	9750	8950	9850	9800	10100	9350
Manufacturing	6100	11750	18650	9300	8400	12000	18900	9350
Food & Kindred Products	3200	5100	12800	4000	3500	6450	13150	4200
Lumber & Paper Products	1750	3450	2550	2050	1700	2400	2450	2000
All Other Manufacturing	3150	3200	3350	3250	3200	3200	3300	3200
Trans. Comm. & Utilities	17800	19200	20500	18700	17950	19500	20800	18900
Trucking & Warehousing	1900	2050	2250	1950	1800	2100	2250	1950
Water Transportation	1150	1400	1750	1500	1200	1450	1850	1650
Air Transportation	5850	6500	7000	6300	6000	6650	7050	6450
Other Trans. Comm.	8900	9250	9550	8950	8900	9250	9550	8950
Trade	43700	46500	48600	47300	45200	48000	50100	48800
Wholesale	8600	9050	9450	9100	8950	9450	9800	9450
Retail	35100	37500	39200	38200	36200	38600	40300	39300
Gen. Mer. & Apparel	5100	5300	5650	5850	5350	5500	5850	6050
Food Stores	6050	6450	6700	6550	6300	6700	6900	6800
Eating & Drinking Places	12450	13850	14650	13750	13000	14350	15150	14250
Other Retail Trade	11450	11900	12250	12100	11550	12050	12350	12200
Finance Ins. & Real Estate	13300	13800	14100	13900	13800	14300	14600	14400
Services & Misc	44550	45600	47050	45450	45400	46500	48100	46350
Government	71600	71500	69600	72800	72800	73000	70700	74300
Federal	17400	18150	18500	17700	17750	18450	18750	18000
State	21250	20750	20300	21400	21250	20800	20300	21450
Local	32850	32500	30850	33700	33800	33750	31650	34900

Table 2
Industrial Employment Forecast
Annual Average and Percent Change
Alaska
1984-1987

	Annual Average 1984	Annual Average 1985	1984-85 Percent Change	Annual Average 1986	1985-86 Percent Change	Annual Average 1987	1986-87 Percent Change
Nonag. Wage & Salary	225000	230350	2.4%	235100	2.1%	238400	1.4%
Mining	8800	9250	5.1%	9400	1.3%	9700	3.4%
Construction	20100	18800	-6.5%	17450	-7.3%	15600	-10.2%
Manufacturing	11200	11650	4.0%	11950	2.4%	12200	1.8%
Food & Kindred Products	6000	6250	4.2%	6500	4.6%	6800	4.6%
Lumber & Paper Products	2200	2200	0.0%	2280	0.0%	2100	-3.2%
All Other Manufacturing	3000	3200	6.7%	3250	0.0%	3200	0.0%
Trans. Comm. & Utilities	18900	18750	-0.1%	19050	1.5%	19300	1.2%
Trucking & Warehousing	2300	2200	-4.3%	2050	-8.5%	2050	2.5%
Water Transportation	1300	1400	7.7%	1450	4.8%	1500	3.6%
Air Transportation	6000	6850	2.5%	6400	-8.8%	6550	2.4%
Other Trans. Comm.	9200	9200	0.0%	9200	0.0%	9200	0.0%
Trade	44600	45300	1.6%	46500	2.7%	48000	3.2%
Wholesale	8600	8750	1.7%	9050	3.1%	9450	4.3%
Retail	36000	36550	1.5%	37500	2.5%	38600	3.2%
Gen. Mer. & Apparel	5100	5250	2.9%	5450	4.7%	5700	3.9%
Food Stores	5800	6150	6.0%	6450	4.9%	6700	3.9%
Eating & Drinking Places	13000	13250	1.9%	13650	3.3%	14200	3.8%
Other Retail Trade	12100	11950	-1.2%	11900	-.4%	12050	1.0%
Finance Ins. & Real Estate	12300	13100	6.5%	13750	5.1%	14300	3.8%
Services & Misc.	43200	44650	3.4%	45650	2.3%	46600	2.0%
Government	65900	68960	4.6%	71300	3.5%	72700	1.9%
Federal	18300	17600	-3.8%	17900	1.7%	18200	1.5%
State	19200	20500	6.8%	20900	2.2%	20950	0.2%
Local	28400	30800	8.5%	32500	5.4%	33500	3.3%

Table 3
Industrial Employment Forecast
Monthly Average Employment by Quarter
Anchorage

	Q1 1986	Q2 1986	Q3 1986	Q4 1986	Q1 1987	Q2 1987	Q3 1987	Q4 1987
Natural Resources & Mining	11950	11900	12150	11850	11750	11900	12350	12150
Mining	4350	4400	4450	4350	4550	4650	4700	4550
Construction	7600	7500	7700	7500	7200	7250	7650	7600
Manufacturing	3750	3750	3750	3750	3550	3950	3800	3800
Food and Kindred Products	900	850	1450	900	900	900	1500	900
Other Manufacturing	2850	2900	2300	2850	2650	3050	2300	2900
Trans, Comm & Utilities	9850	9700	10300	9800	9500	10100	10600	9950
Trucking & Warehousing	1200	1250	1350	1200	1250	1300	1500	1200
Water Transportation	350	400	450	300	400	450	450	400
Air Transportation	3850	3750	4050	3700	3650	3950	4150	3800
Other Trans, Comm	4150	4250	4450	4300	4200	4400	4600	4850
Trade	22900	22700	23550	22850	23000	22900	23900	23000
Wholesale	7350	7200	7050	7300	6950	7150	7200	7100
Retail	21150	21000	22550	22800	22700	22450	23100	23350
Gen. Merchandise	1800	1850	1650	1850	1650	1650	1650	1800
Food Stores	3050	3200	3300	3200	3150	3350	3450	3400
Eating and Drinking Places	8400	8550	8900	8850	8700	8850	9100	9050
Other Retail Trade	8300	8400	8650	8950	8550	8700	8900	9100
Finance Ins. & Real Estate	9150	9250	9450	9350	9550	9600	9700	9750
Services & Misc.	26400	27350	27750	27450	27600	28250	28600	28450
Government	26850	26450	26400	26900	26600	26750	26950	27150
Federal	9800	9650	10050	9800	9800	9600	10150	9650
State	7850	7100	7000	7450	7150	7250	7250	7600
Local	9150	9500	9350	9650	9650	9900	9550	9900

ing recovery enhancement operations of the Prudhoe Bay and Kuparuk fields and the development of marginal North Slope oil fields. New fields coming on line in 1986 and 1987 are Milne Point, Lisburne and Endicott.

The North Slope is a mainstay of U.S. domestic oil production. Since start up in 1977 the Prudhoe Bay field has produced 4 billion barrels of oil while the Kuparuk field has produced 700 million barrels in its three year life. Together they send 1.5 million barrels a day through the pipeline supplying 18% of the nation's annual domestic crude oil production. Anchorage plays an vital part in this production as the location of oil company headquarters. Some growth is anticipated in coal, precious metals, and nonmineral mining employment, primarily related to exploration.

Construction

Construction employment is forecast to decline 9.6% in 1986 and 7.6% in 1987. A surplus of residential and commercial space and declines in state funded construction projects contribute to this decline. Some large publicly funded projects for the 1986 building season are the Project 80's Performing Arts Center and new police headquarters. Large private projects include Providence Hospital Project 1990 expansion which will double the size of the hospital. Humana Hospital will be completing its expansion and remodeling. Major retail construction include the 326,000 square foot expansion of Dimond Mall.

The proposed downtown mall will add impetus to the construction sector. The planning stage continues in earnest but no final plans have been approved. Other projects include hotel expansion and schools. The bond issues passed in October 1985 will provide $103 million in school bonds, $15.5 million for roads and $25 million for waste water and water quality projects.

Government

Government is forecast to expand by 1.5% in 1986 and 0.9% in 1987. Federal government is anticipated to remain stable throughout the forecast period. The continual transfer of many federal functions to the state government and increases in employment at the University of Alaska and Anchorage Community College will push state government employment up 3.5% by 1987.

The Anchorage School District will contribute a large share of local government growth, though the demand for noneducational services also contributes to local government increases. However, since state revenues are falling, a larger share of the burden will rest on An-

chorage residents for additional services. Should state revenues fall enough to require cuts in state employment, the loss of revenues and employment will be detrimental to growth in local government employment.

Secondary Industries

The secondary or distributive industries consist of transportation, communications and utilities; trade; finance, insurance and real estate (FIRE); and services. A surge in population and income during the 1980-1984 period generated rapid employment growth in these sectors, led by trade and FIRE. Since population and income are expected to stabilize in 1986 and 1987, employment growth in the secondary industries is forecast to adjust from rapid to moderate growth. These industries will benefit as Anchorage continues to replace lower 48 cities as the source of goods and services previously unavailable in Alaska. Increased tourism in 1986 and 1987 will add impetus to firms providing goods and services to tourists, such as accommodations, gift shops, and air and bus transportation.

Economic Outlook-Fairbanks

By Neal Fried

Fairbanks is presently at the end of a period of rapid economic growth. The average annual employment growth rate during the past five years has been 6%, a rate of growth which has been the envy of much of the nation. Most of the economic development that has taken place since 1980 was a result of revenue generated from oil industry development. However, recent declines in the value of oil have resulted in revenue declines. This revenue decline, though not precipitous, is having a dampening effect on the entire state's economy. Fairbanks, unlike much of the state, may be shielded to a degree because it has found a substitute source for economic growth, the military.

In 1984 the army announced the possibility of Fairbanks being chosen as the headquarters for a light infantry division. A number of areas in the country contended for the division, but Fairbanks was chosen in late 1985. The exact number of military personnel was still uncertain when this forecast was produced, but it appears that approximately 3,300 additional soldiers will be stationed at Fort Wainwright. This represents a more than doubling of the base's military population. The average number of dependents per soldier is approximately 1.27,

which means the total gain in Fairbanks' military population could be 7,450 or more. The population is not expected to increase abruptly, but will gradually build up over a period of at least four years. Although the bulk of the troops will not arrive until 1987, construction of some facilities is expected to begin in 1986.

The economic activity created by the expansion of the military is not expected to be on the same scale as the construction of the oil pipeline or recent state spending but the military's impact on Fairbanks should be great enough to keep Fairbanks' economy growing during the forecast period in spite of falling oil revenues. The exact impact is difficult to assess because numbers and timetables are still unclear. Presently, 1987 appears to be the big year for military expansion. Preliminary figures indicate 1,200 new soldiers arriving in 1987 and a construction budget in excess of $200 million for housing and other facilities. This is more money than was ever appropriated to Fairbanks from the state legislature for any one year in the past. It also exceeds any total residential and commercial permit construction valuation amount for the Borough in the 1980s. Given these assumptions and no precipitous decline in oil revenues, our forecast for the next two years keeps Fairbanks' economy growing by 3% in 1986 and 3.9% in 1987.

North Slope activity is expected to pick up during the next two years. This should provide an additional boost to Fairbanks both as an employer for Fairbanks residents and a supplier of goods and services.

Growth Industries

Six of Fairbanks' eight industries are projected to grow during the two year forecast period. They include construction; trade; services; finance, insurance and real estate; manufacturing; and government. Forecasting the construction industry would have been simple if the military expansion was not on the horizon. Without the military expansion, construction was expected to decline moderately in 1986 because of a drop in residential and commercial activity. Instead a repeat of 1985 levels is expected in 1986, and 1987 will grow because of large scale military related construction. Some of these industries, particularly trade and services, would have grown during the forecast period with or without the military, but the military expansion will push their employment even higher. Manufacturing, though only a small support industry in Fairbanks, will continue to grow with the general expansion in the economy. Though restrained by falling oil revenues, government is expected to increase at both the state and local levels to accommodate a growing secondary school and resident population. Federal government will grow because additional civilian support at Ft. Wainwright will accompany the expansion.

The Remainder of the Economy

Transportation, communication and utilities will remain largely unchanged during the forecast period. This industry tends to be extremely stable over the long run, though recently it has experienced some small losses. Mining is expected to decline slightly because mineral prices remain low providing little incentive for new gold production.

Economic Outlook-Southeast Alaska

By John Boucher

The Southeast Alaska industry employment forecast for 1986 and 1987 projects slight growth in employment. From 1980 to 1984 employment in Southeast experienced heady growth as did much of the remainder of the state. During the last year this growth rate in employment has slowed dramatically, primarily due to a decline in construction employment. During the next two years other major growth industries of Southeast Alaska, namely the secondary industries of services and trade, will slow their rate of growth in employment. Industries which have had deteriorating employment during the past several years, such as transportation and manufacturing will continue to experience employment losses in 1986 and 1987. Overall, employment is expected to grow at a rate just slightly above one percent a year during both years of the forecast, which will be a slower rate than what is expected for the rest of the state.

Manufacturing

Southeast Alaska's manufacturing industry will continue to experience employment losses throughout the forecast period. Beginning in 1980, the manufacturing industry in Southeast began to deteriorate at a rather steady pace, losing two to four percent of its employment every year. The reason for the decline is the decline of Southeast Alaska's wood processing industry. The wood processing industry's outlook for the next several years holds no solution that would suggest the industry will recover from its current problems. The lumber and paper products sector will decline two to three percent in 1986 followed by a more than five percent drop in 1987. This forecast does assume that the Sitka pulp mill will continue to operate in the sporadic fashion that it has during the past several years, which may be somewhat optimistic considering the mill's current battle with the Environmental Protection Agency over antipollution control equipment.

Losses in the pulp and paper products sector are anticipated to be offset somewhat by gains in Alaska's fishing industry. Shellfish are anticipated to make a small comeback near the end of the forecast period, as well as the expansion of the bottomfish industry to Southeast Alaska. These two factors as well as the continuation of excellent salmon runs due to the fruition of Alaska's fisheries enhancement program will help boost seafood processing employment by 5% during the two year period.

Government

Southeast Alaska's largest industry, government employment, is anticipated to remain relatively stable during this forecast period. Decreasing revenue will put the squeeze on the state's operating budget beginning in fiscal year 1987 and local governments will feel the pinch in their own operating budgets. This doesn't mean that the cities of Southeast will stop providing services to their residents, however it does mean that the cities may be forced to raise taxes or user fees to generate the necessary revenue to provide the same level of services. In some cases, a growing population and the need for expanded infrastructure and ongoing maintenance will force the cities that can afford it to expand services. It is expected that the local government sector will be the only one of the three sectors of government that will grow during the forecast period.

State government employment is expected to be relatively stable in the Southeastern region although it may be an area of growth for other parts of the state. The primary reason for this is the continuing growth of the Anchorage/MatSu/Kenai Peninsula areas. Regional offices of some departments will probably be expanded to meet the needs of the growing population in these areas, while Southeast with its lesser population and growth will not be in need of the extra work force and facilities.

Construction

Spurred by a growing population, increasing state revenues, and an enormous amount of residential and commercial construction in Juneau following the resolution of the capital move issue, construction was the most rapidly growing industry in the region from 1980 to 1984. In 1985, however the picture began to change. A slower residential housing market and a glut of commercial space in Juneau slowed construction in the region from the previous four years' pace. Construction in Southeast Alaska was off more than ten percent in 1985. During the forecast period construction is projected to remain near 1985's level. While the residential and commercial markets will remain sluggish throughout the forecast period, capital projects such

Table 4
Industrial Employment Forecast
Annual Average and Percent Change
Anchorage
1984-1987

	Annual Average 1984	Annual Average 1985	1984-85 Percent Change	Annual Average 1986	1985-86 Percent Change	Annual Average 1987	1986-87 Percent Change
Nonag. Wage & Salary	112050	115600	3.2%	117650	1.8%	120150	2.1%
Mining	3900	4150	6.4%	4400	6.0%	4600	4.5%
Construction	10050	9400	-6.5%	8500	-9.6%	7850	-7.6%
Manufacturing	2650	2800	5.7%	2900	3.6%	3100	6.9%
Food and Kindred Prod	650	700	7.7%	700	0.0%	800	14.3%
Other Manufacturing	2000	2100	5.0%	2200	4.8%	2300	4.5%
Trans. Comm. & Utilities	9150	9400	2.7%	9700	3.2%	10000	3.1%
Trucking & Warehousing	1250	1250	0.0%	1250	0.0%	1250	0.0%
Water Transportation	350	350	0.0%	400	14.3%	400	0.0%
Air Transportation	3700	3700	0.0%	3750	1.4%	3900	4.0%
Other Trans. Comm.	3850	4100	6.5%	4300	4.9%	4450	3.5%
Trade	27000	28150	4.3%	29000	3.0%	29850	2.9%
Wholesale	6550	6750	3.1%	6950	3.0%	7100	2.2%
Retail	20450	21400	4.6%	22050	3.0%	22750	3.2%
Gen. Merchandise	1650	1600	-3.0%	1650	3.1%	1700	3.0%
Food Stores	2950	3150	6.8%	3200	1.6%	3300	3.1%
Eating and Drinking Pl.	7950	8400	5.7%	8650	3.0%	8950	3.5%
Other Retail Trade	7900	8250	4.4%	8550	3.6%	8800	2.9%
Finance-Ins. & Real Estate	8650	9050	4.6%	9350	3.3%	9650	3.2%
Services & Misc	25200	26450	5.0%	27200	2.8%	28250	3.9%
Government	25450	26200	2.9%	26600	1.5%	26850	0.9%
Federal	10150	9900	-2.5%	9900	0.0%	9850	-0.5%
State	6600	7050	6.8%	7200	2.1%	7300	1.4%
Local	8700	9250	6.3%	9500	2.7%	9750	2.6%

Table 5
Industrial Employment Forecast
Monthly Average Employment by Quarter
Fairbanks
1986-1987

	Q1 1986	Q2 1986	Q3 1986	Q4 1986	Q1 1987	Q2 1987	Q3 1987	Q4 1987
Natural Resources & Mining	1700	1450	1650	1600	1700	1600	1800	1650
Mining	100	100	200	150	100	150	200	150
Construction	1600	1350	1450	1450	1600	1450	1600	1500
Manufacturing	500	500	500	500	500	500	500	500
Trans, Comm, & Public Utilities	2600	2600	2650	2650	2700	2700	2800	2750
Trade	5800	5800	6000	6000	6050	6250	6750	6400
Wholesale	1000	1000	1050	1050	1100	1150	1250	1200
Retail	4800	4800	4950	4950	4950	5100	5500	5200
Finance, Ins & Real Estate	900	1000	1050	1050	950	1000	1050	1000
Services & Misc	5300	5100	5600	5550	5550	5850	6200	5900
Government	9300	9300	9600	11050	10350	10500	10150	10800
Federal	2700	2600	2600	2950	2950	3100	3150	3100
State	4200	4300	4400	4400	4200	4300	4150	4450
Local	2400	2400	2600	3700	3200	3100	2850	3250

Table 6
Industrial Employment Forecast
Annual Average and Percent Change
Fairbanks
1984-1987

	Annual Average 1984	Annual Average 1985	1984-85 Percent Change	Annual Average 1986	1985-86 Percent Change	Annual Average 1987	1986-87 Percent Change
Nonag. Wage & Salary	27750	28600	3.1%	29450	3.0%	30600	3.9%
Mining	150	150	0.0%	150	0.0%	150	0.0%
Construction	2680	2850	6.0%	2853	0.1%	3000	5.3%
Manufacturing	550	550	0.0%	600	9.1%	600	0.0%
Trans. Comm. & Utilities	2800	2750	-1.8%	2753	0.1%	2750	-0.1%
Trade	3800	4100	7.9%	4450	8.5%	4750	6.7%
Wholesale	1050	1050	0.0%	1100	4.8%	1200	9.1%
Retail	4750	5050	6.3%	5350	5.9%	5550	3.7%
Finance Ins. & Real Estate	950	1000	5.3%	1000	0.0%	1000	0.0%
Services & Misc.	5400	5550	2.8%	5700	2.7%	5900	3.5%
Government	9250	9650	4.3%	10150	5.2%	10450	3.0%
Federal	2750	2750	0.0%	2850	3.6%	3100	8.8%
State	3850	4050	5.2%	4150	2.5%	4250	2.4%
Local	2750	2850	3.6%	3150	10.5%	3100	-1.6%

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	P/ 10/85	R/ 9/85	10/84	P/ 10/85	R/ 9/85	10/84	P/ 10/85	R/ 9/85	10/84	P/ 10/85	R/ 9/85	10/84

as the Juneau Pioneers home expansion of Bartlett Hospital, the Douglas Library, Wrangell High School, and road and airport improvements will keep the construction workers of Southeast Alaska busy for the next several years.

Secondary Industries

The secondary industries of trade, services, and finance, insurance and real estate will generally perform well the next two years. The transportation industry, which includes communications and public utility firms, will be an exception to this pattern. Transportation has been experiencing a steady decline in employment, somewhat parallel to the decline that is being experienced in the manufacturing industry. In part this is due to the decreased stevedoring activity that is directly related to the amount of wood products that are shipped to the Japanese market, but this was not the only factor. Consolidation of facilities such as Alascom's, and a less labor intensive air transportation industry have also been contributing factors. Increasing competitive pressures in the communications and transportation industries will continue to make these industries more mechanized and less labor intensive in the next several years.

Trade and services will continue to be fairly strong growth industries during the next several years after a slowdown in 1986. Compared to other areas of the United States, Alaska has a much smaller share of both these industries relative to total employment indicating that potential for growth in these industries is still good. Investment in these industries by the financial institutions will probably be more guarded than it was during the freewheeling days of the last four years, but high per capita disposable income in the majority of the Southeast will allow for steady growth in these industries.

Alaska

By John Boucher

What Others Say About 1986-87

The approach of a new year is always accompanied by a deluge of predictions about what is in store for the new year. Economists, never a group known to buck a recurring trend, are some of the leading purveyors of prognostication each holiday season as they do their best to predict the economy during the next year or so.

This month's issue of *Alaska Economic Trends*, in particular the proceeding article, was the fruition of the Research and Analysis sections efforts to forsee economic events of 1986 and 1987. Particularly, our efforts focused on how economic events in the next two years will impact wage and salary employment in Alaska. No forecast occurs in a vacuum however, and when the results of our forecast were completed we took a look around at some of our peers to see what they had to say about the future.

First Interstate Bancorp's Forecast 1/

First Interstate's Bancorp, a regional bank with affiliates and licensees primarily located in the western U.S., produced a 1986-1987 forecast that reads very similarly to the forecast produced by Research and Analysis. Overall slower gains were predicted in nonagricultural wage and salary employment than have occurred since 1980 because continued weakness in oil and lumber prices began to filter their way through the Alaskan economy. First Interstate calls the construction industry the key to forecasting the Alaskan economy, because of the large state expenditures that are injected into the economy through infrastructure expenditures on roads, schools, government buildings and housing subsidies. They cite declining state revenues, a significant amount of surplus residential and commercial space in the Anchorage, Fairbanks and Juneau markets as well their own forecast of rising interest rates as three reasons why the outlook for construction employment does not look as promising as the past several years.

Overall the First Interstate forecast is a touch more optimistic when it comes to predicting wage and salary employment gains during the next two years. First Interstate predicts a 3.3% growth rate in employment in 1986 which will be followed by a 2.9% gain in 1987. Research and Analysis' forecast came in at 2.1% for 1986 and 1.4% employment growth in 1987. The difference between the two forecasts could be either in the magnitude of the expected declines in construction during the forecast period, or the amount which the secondary indus-

Nonagricultural Wage and Salary Employment
By Place of Work
Alaska

	P/ 10/85	R/ 9/85	10/84	Changes From: 9/85	10/84
Nonag. Wage & Salary	335800	344100	330800	-8300	5000
Mining	9600	9500	9000	100	600
Construction	21300	22900	22800	-1600	-1500
Manufacturing	9600	14500	9200	-4900	400
Food & Kindred Prod.	4200	8900	3900	-4700	300
Lumber & Paper Prod.	2200	2200	2200	0	0
All Other Mfg.	3200	3400	3100	-200	100
Trans. Comm. & Utilities	19700	20400	19100	-700	600
Trucking & Wrhsing.	2300	2400	2400	-100	-100
Water Transportation	1500	1600	1400	-100	100
Air Transportation	6400	6600	6100	-200	300
Other Trans. Comm. & Utilities	9500	9700	9200	-200	300
Trade	47000	46900	46200	100	800
Wholesale	8900	9100	8900	-200	0
Retail	38100	37800	37300	300	800
Gen. Mer. & Apparel	5400	5300	5200	100	200
Food Stores	6200	6200	6100	0	100
Eating & Drinking Pl.	14200	14100	13900	100	300
Other Retail Trade	12300	12200	12100	100	200
Finance,Ins. & R.E.	13100	12900	12800	200	300
Services & Misc.	44800	45600	43600	-800	1200
Government	71000	71000	68300	0	2700
Federal	18000	18100	18000	-100	0
State	21100	21100	20100	0	1000
Local	31900	31800	30200	100	1700

Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics

Government includes teachers in primary and secondary schools and persons employed by the University of Alaska

Benchmark Date March 1984

P/ Denotes Preliminary Estimates
R/ Denotes Revised Estimates

tries are expected to be slowed due to the retarding of income growth. Most likely a combination of these two factors accounts for the difference.

Another aspect of First Interstate's forecast is worth mentioning. Factors that affect Alaska's economy, particularly the civilian labor force, unemployment rate, and total population, are often directly related to the performance of the economies of Alaska's Pacific Northwest neighbors of Washington and Oregon. If the economy of Alaska is performing better than these two states, as it did during 1982 and 1983, it can act as a catalyst for growth in both population and the civilian labor force which in turn affect the unemployment rate. Sizing up the expected growth of Washington and Oregon can be an important factor in the overall Alaskan economic picture.

First Interstate predicts that the states of Washington and Oregon will both grow at slightly slower rates than what they predict for Alaska in 1986 and 1987. Oregon's predicted growth rate is 2.0% for 1986 and 2.2% in 1987. Washington's growth rate is expected to be 3.1% in 1986 and no growth rate is given for 1987. While Alaska's predicted percentage growth rate is higher than these two states, the difference is not significant enough to generate the kind of population and labor force growth that occurred in Alaska from 1980 to 1984. It could be inferred from the First Interstate forecast though that Alaska will remain a somewhat attractive place for Pacific Northwesterner's to relocate to, although not as attractive as it was several years ago.

Alaska Mutual Bank Forecast for Anchorage 2/

The Alaska Mutual Bancorporation's economic forecast for the Anchorage area predicts the moderation of employment growth in Anchorage, much as our own Research and Analysis forecast does. The percentage change in total employment though is an area of distinct difference in the two forecasts, and the industry breakdown really represents a difference of opinion. Total employment growth for the Anchorage area as predicted by Alaska Mutual's forecast is expected to be 2.5% for 1986, while Research and Analysis pegs Anchorage total employment growth at 1.8% for the same period.

Both of the forecasts recognize the importance of the construction sector to recent employment growth in the Anchorage area, but the two forecasts see some difference in the magnitude of the construction downturn for next year. Alaska Mutual sees Anchorage's construction industry losing just under 3.0% of its 1985 level of employment while the Research and Analysis forecast expects construction in Anchorage to drop 9.6% from 1985's level.

Other industry differences are fairly small compared to the difference in construction. Alaska Mutual's forecast is slightly less optimistic about the services industry than the R & A forecast, 2.5% employment growth versus 2.8%, but Alaska Mutual is more optimistic about the government sector than Research and Analysis, predicting 3.0% growth during 1986 to the 1.5% predicted by Research and Analysis.

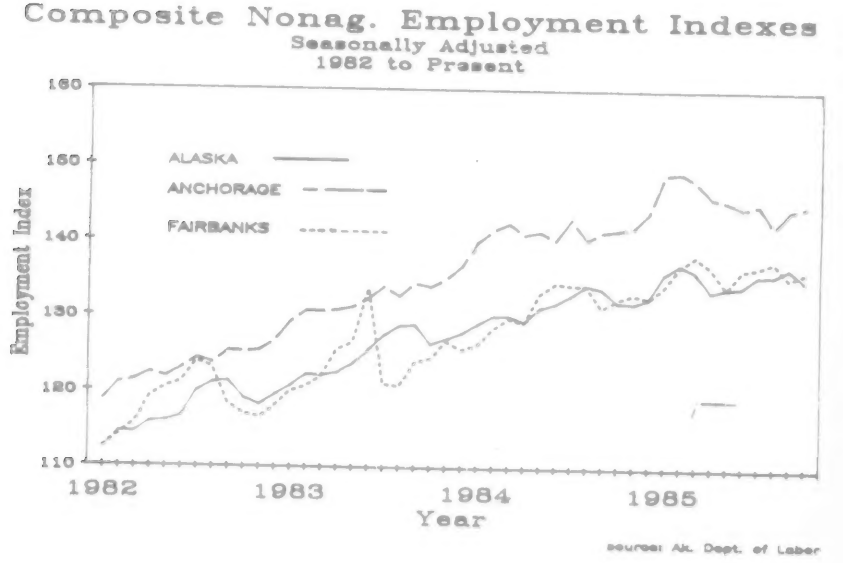
While each of the forecasts mentioned in this article as well as some others that were not mentioned have their own outlooks for next year, the overall theme of just about every forecast produced this year has been moderation and stabilization. State revenues, the fuel that was running the state's engine of economic growth, are now contracting. While this points to a slowdown in the rate of growth of the economy, it doesn't point to a collapse in employment growth. Alaska has historically weathered periods following rapid economic growth rather well, and the building of a stronger support sector during the last four years will help Alaska continue to grow at a time when the oil industry is experiencing difficulty.

Current Trends

Alaska wage and salary employment declined in the month of October by 8,300 jobs. Seasonal declines in manufacturing, construction and tourism related firms (primarily the services industry) dominated the Alaskan job outlook during October. Declines in the manufacturing industry were due to end of season layoffs at fish processing plants around the state as well as the slowdown of logging and wood processing activity. Construction related declines were felt most heavily in the Interior region of the state where colder weather tends to curb construction activity a little sooner than the rest of the state. Declines in services employment were caused by layoffs in hotels which cater primarily to peak summer traffic, as well as to tour companies laying off their Alaskan staffs until next year. Trade was the industry which experienced employment gains during the month. An increase in retail trade activity was the reason for this increase in employment.

1/ *1986-1987 Forecast* First Interstate Bancorp, First Interstate Economics, 707 Wilshire Blvd., W14-2, Los Angeles, California 90017.

2/ *Anchorage Economic Analysis*, Fall 1985. Alaska Mutual Bancorporation, Alaska Mutual Bank, 1500 West Benson Blvd., Pouch 4-9003, Anchorage, Alaska 99509.



Anchorage/MatSu

By Greg Huff

October Employment Trends

Seasonal layoffs characterized Anchorage's wage and salary employment statistics in October. As usual the greatest loss of jobs was in the construction industry, followed by the food processing sector which is a component of the manufacturing industry. Seasonal layoffs resulted in an increase in Anchorage's unemployment rate from 6.5% to 6.9% in October. This represented 8,314 unemployed workers. This level will continue to rise through February before starting downward as employment responds to seasonal increases in construction, fish processing and tourist related industries.

Anchorage's unemployment rate is not expected to increase much over the year although the economy is slowing. The growth of the labor force has slowed markedly because laid off workers leave the state and the influx of new workers to replace them has dropped off. Thus, the less than dynamic expansion in employment forecast for next year should be adequate to maintain the annual unemployment rate below 8.0%.

Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage

	P/ 10/85	R/ 9/85	10/84	Changes From: 9/85	10/84
Nonag. Wage & Salary	118300	119600	115700	-1400	2500
Mining	4200	4250	4550	-50	-350
Construction	10500	11500	11400	-1000	-900
Manufacturing	3700	3200	3550	550	150
Food & Kindred Prod.	1050	1050	550	500	50
Other Mfg.	2650	2200	3000	50	100
Trans. Comm. & Utilities	9650	9650	9250	-150	400
Trucking & Wholesale	1250	1250	1250	0	0
Water Transportation	400	400	400	0	0
Air Transportation	3900	3900	3600	0	300
Other Trans. Comm. & Utilities	4100	4100	3900	100	-100
Trade	29000	28650	28300	350	600
Wholesale	6700	6700	6700	50	50
Retail	22750	21850	21600	300	550
Gen. Merchandise	1650	1650	1750	50	-100
Food Stores	3350	3300	3350	50	0
Eating & Drinking Pl.	8850	8850	8600	100	150
Other Retail Trade	8900	8400	8000	100	500
Finance Ins. & R.E.	8950	9050	8900	-100	50
Services & Misc.	26300	26400	25450	-100	850
Government	27200	26950	26100	150	1000
Federal	9850	9950	10100	-150	-300
State	7350	7250	6900	100	450
Local	9950	9750	9100	200	850

Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage/MatSu

	P/ 10/85	R/ 9/85	10/84	Changes From: 9/85	10/84
Nonag. Wage & Salary	126450	127950	122850	-1500	3600
Mining	4250	4250	3900	0	350
Construction	11900	12450	12400	-550	-500
Manufacturing	2800	3400	2700	-600	100
Trans. Comm. & Utilities	10450	10650	9900	-200	550
Trade	30650	30300	30050	350	600
Finance-Ins. & R.E.	9500	9400	9200	100	300
Services & Misc.	27800	28050	26900	-250	900
Government	28600	29450	28000	-150	-1600

Table 7
Industrial Employment Forecast
Monthly Average Employment by Quarter
Southeast Alaska
1986-1987

	Q1 1986	Q2 1986	Q3 1986	Q4 1986	Q1 1987	Q2 1987	Q3 1987	Q4 1987
Natural Resources & Mining	4570	5010	4780	5660	5000	5450	4810	5150
Construction	1230	1770	1960	1660	1150	1650	1900	1600
Manufacturing	2560	3000	4150	2800	1960	3360	4750	3460
Food & Kindred Products	500	1900	3000	600	530	1980	3000	650
Lumber & Wood Products	1140	1140	1100	1050	1250	1300	1500	1550
All Other Manufacturing	250	250	250	250	200	250	250	250
Trade, Trans. & Public	1450	1800	2050	1850	1500	1850	2000	1750
Trade	4340	4460	5240	4460	4460	4650	5450	4960
Wholesale	430	430	430	430	390	400	450	400
Retail	3910	4030	4810	4030	4070	4250	5000	4550
Finance, Ins. & Real Estate	1240	1260	1280	1260	1260	1280	1300	1280
Misc. Services & Misc.	4460	4460	5140	4470	4460	4900	5500	4850
Government	7500	10500	11400	10500	8100	10400	11900	10350
Federal	1300	1300	1300	1300	1300	1300	1300	1300
State	1500	3000	5400	3000	2000	3000	3800	3000
Local	4700	6200	4700	6200	4800	6100	6800	6050
Total	25510	30700	34960	30700	26830	32090	36610	31750

Table 8
Industrial Employment Forecast
Annual Average and Percent Change
Southeast Alaska
1984-1987

	Annual Average 1984	Annual Average 1985	1984-85 Percent Change	Annual Average 1986	1985-86 Percent Change	Annual Average 1987	1986-87 Percent Change
Natural Resources & Mining	2650	2460	-7.2%	2400	-2.4%	2375	-1.0%
Construction	1830	1690	-7.7%	1590	-5.9%	1630	2.5%
Manufacturing	5190	5300	2.1%	5400	1.9%	5500	1.9%
Food & Kindred Prod.	900	1000	11.1%	1000	0.0%	1050	5.0%
Lumber & Wood Prod.	1950	1850	-5.1%	1850	0.0%	1900	2.7%
All Other Mfg.	250	250	0.0%	250	0.0%	260	4.0%
Trans, Comm. & Utilities	1900	1950	2.6%	1950	0.0%	1950	0.0%
Trade	4630	4680	1.1%	4830	3.2%	5030	4.1%
Wholesale	400	400	0.0%	400	0.0%	400	0.0%
Retail	4230	4280	1.2%	4430	3.5%	4630	4.5%
Finance Ins. & Real Estate	1650	1700	3.0%	1760	3.5%	1800	2.3%
Misc. Services & Misc.	4450	4580	2.9%	4750	3.7%	4900	3.2%
Government	11830	12040	1.8%	12100	0.5%	12250	1.2%
Federal	2330	2330	0.0%	2380	2.1%	2380	0.0%
State	5150	5360	4.1%	5500	2.6%	5550	0.9%
Local	4350	4450	2.3%	4550	2.2%	4650	2.2%

Fairbanks/Interior

By Neal Fried

Winter Chills Interior Economy

October's decline in employment is a sign that winter is on its way. Wage and salary employment fell by 850. Few industries escaped winter's impact on employment. Construction work on many projects came to an end during October's unusually cold spell. Construction employment declined by 16%. A total of six out of Fairbanks' eight industries lost employment this month.

Over the year comparisons remain on the positive side. For the first ten months of the year, wage and salary employment registers at 3.6% gain above year-ago levels. This is moderate compared to the past four years average growth rate of 6%.

The unemployment picture followed the employment trend in October, and climbed to 12.8%. Fairbanks' rate typically starts to climb in October as employment begins to decline. The rate will continue to climb and will not peak until January or February at four or five points above October's rate.

Nonagricultural Wage and Salary Employment
By Place of Work
Fairbanks

				Changes From:	
	P/ 10/85	R/ 9/85	10/84	9/85	10/84
Nonag. Wage & Salary	29850	30700	28900	-850	950
Mining	200	200	200	0	0
Construction	3100	3700	3200	-600	-100
Manufacturing	600	650	550	-50	50
Trans. Comm. & Utilities	2850	3000	2750	-150	100
Trucking & Whsehg.	400	400	400	0	0
Air Transportation	850	850	750	0	100
Other Trans. Comm. & Utilities	1600	1750	1600	-150	0
Trade	6350	6400	6000	-50	350
Wholesale	1100	1050	1100	50	0
Retail	5250	5350	4900	-100	350
Gen. Mer. & Apparel	600	600	550	0	50
Food Stores	900	800	800	100	100
Other Retail Trade	3750	3950	3550	-200	200
Finance-Ins. & R.E.	1000	1050	950	-50	50
Services & Misc.	5650	5750	5600	-100	50
Government	10100	9850	9650	150	450
Federal	2900	2900	2650	0	250
State	4300	4150	4150	150	150
Local	2900	2900	2850	0	50

Nonagricultural Wage and Salary Employment
By Place of Work
Interior

				Changes From:	
	P/ 10/85	R/ 9/85	10/84	9/85	10/84
Nonag. Wage & Salary	34100	35400	33500	-1300	600
Mining	300	300	300	0	0
Construction	3250	3950	3350	-700	-100
Manufacturing	650	700	550	-50	100
Trans. Comm. & Utilities	3550	3850	3550	-300	0
Trade	6700	6850	6400	-150	300
Finance-Ins. & R.E.	1100	1100	1050	0	50
Services & Misc.	5950	6150	5900	-200	50
Government	12600	12500	12400	100	200

Gulf Coast

By Neal Fried

Gulf Coast Unemployment Climbs

Gulf Coast's economy is quickly cooling down for the winter. The region's employment fell by 2,100. The end of the fishing, construction and tourism season is responsible for this steep decline in employment. Fish processing alone fell by 1,300. Few other industries were left unscathed.

After four months of relatively low unemployment, the region's unemployment rate climbed to the double digit level. In one short month the Kodiak and Valdez-Cordova unemployment rates increased from 5.6% and 6.0% to 9.5% and 9.2%. The winter economy of Kodiak and Cordova looks bleak again this year. There are no indications of any improvement in the king crab fishery. If the recent announcement made by the federal government concerning major federal cutbacks in the Coast Guard budget becomes reality, Kodiak's economy may have to absorb another dramatic shock.

Nonagricultural Wage and Salary Employment
By Place of Work
Gulf Coast

			Changes From:		
	P/ 10/85	R/ 9/85	10/84	9/85	10/84
Nonag. Wage & Salary	20700	22800	20300	-2100	400
Mining	850	850	800	0	50
Construction	2300	2600	2300	-300	0
Manufacturing	2550	3850	2550	-1300	0
Food & Kindred Prod.	1850	3150	1900	-1300	-50
All Other Mfg.	700	700	650	0	50
Trans. Comm. & Utilities	2100	2100	2150	0	-50
Trade	3600	3950	3350	-350	250
Wholesale	500	650	450	-150	50
Retail	3100	3300	2900	-200	200
Finance-Ins. & R.E.	700	700	650	0	50
Services & Misc.	3150	3400	3000	-250	150
Government	5450	5350	5500	100	-50
Federal	550	550	500	0	50
State	1700	1750	1650	-50	50
Local	3200	3050	3350	150	-150

Southeast Alaska

By John Boucher

October Employment Down 5.5%

Southeast Alaska nonagricultural wage and salary employment declined by 1,700 jobs in the month of October to 29,300 which meant a loss of more than 5% of the jobs in the Southeastern region during the month. The decline was across every industry in the region with the exception of government. Manufacturing employment, led by end of season layoffs in the seafood processing industry, was the largest single contributor to the drop in employment. A mill shutdown in the Ketchikan area also added to the decline in manufacturing employment.

The industry category of mining, services and miscellaneous was the next largest employment loser during the month (350 jobs) due primarily to seasonal declines in the hotel and motel sector of services. There were declines in the mining and miscellaneous categories of this industry, but they accounted for less than 10% of the industry employment drop. The transportation industry also experienced a drop off in employment during the month. The air transportation sector and other transportation sector, both of which are heavily affected by the tourist season, were the causes of the employment losses in the transportation industry. Construction employment remained relatively stable over the month, however it continues to show weakness in comparison to year-ago numbers.

Nonagricultural Wage and Salary Employment
By Place of Work
Southeast Alaska

			Changes From:		
	P/ 10/85	R/ 9/85	10/84	9/85	10/84
Nonag. Wage & Salary	29300	31000	29450	-1700	-150
Construction	1750	1800	2150	-50	-400
Manufacturing	2600	3700	2650	-1100	-50
Food & Kindred Prod.	600	1550	600	-950	0
Lumber & Paper Prod.	1750	1900	1800	-150	-50
All Other Mfg.	250	250	250	0	0
Trans. Comm. & Utilities	1950	2150	2000	-200	-50
Trade	4750	4950	4900	-200	-150
Wholesale	400	400	400	0	0
Retail	4350	4550	4500	-200	-150
Finance-Ins. & R.E.	1050	1100	1100	-50	-50
Mining, Services & Misc.	4550	4900	4700	-350	-150
Government	12650	12400	11950	250	700
Federal	2150	2200	2000	-50	150
State	5600	5550	5450	50	150
Local	4900	4650	4500	250	400

Hours and Earnings

By Kathy Thomas

Benchmark and Hours and Earnings

Benchmarking is viewed as an updating of a series with new information. Department of Labor, Research and Analysis, series that are benchmarked annually include wage and salary employment statistics, unemployment statistics, occupational employment statistics, as well as others. Some of these series are benchmarked with actual enumerations, employment is an example. Hours and earnings data are revised annually by using benchmarked employment figures and increased sample size.

Wage and salary employment and hours and earnings data originate from the same data source, the Current Employment Statistics survey. For employment benchmarking purposes, employment estimates for March of the previous year are compared to an actual count of employment for the same time period. The actual employment count used is the ES-202 file of all employers, covered by unemployment insurance, who submit quarterly reports of monthly employment and quarterly payroll. The purpose of benchmarking is to align employment estimates that may have departed from true economic movement.

Because of data limitations in the ES-202 file benchmarking of hours and earnings to an actual enumeration is not possible. One problem is a lack of hours worked data on the ES-202 file. Without a report of the hours worked during a given time period no calculation of average weekly hours or average hourly earnings is possible. Average hourly earnings are calculated by dividing payroll for a given time period by hours worked for the same time period.

Average weekly hours are calculated by dividing total hours worked in a week by the production workers. That poses another problem with benchmarking hours and earnings. The ES-202 file only reports total employment. Average weekly hours and average hourly earnings are calculated only for production and nonsupervisory workers. Since production and nonsupervisory workers are not differentiated from other employees on the ES-202 file, accurate computations for benchmarking cannot be done.

Because hours and earnings are not benchmarked with a proven baseline hours and earnings series, they rely on an adequate sample of employers reporting payroll and workers hours and a well researched methodology. Adjustments must be made throughout the year to the hours and earnings data base. Late reporters to the sam-

ple are incorporated for each month they were missing to increase the sample size. Some reporters change their reporting status or find they made errors in their data that would affect hours and earnings. These changes are also incorporated into the data base to increase the reliability of hours and earnings data.

A further refinement to the calculation of hours and earnings is the inclusion of benchmarked employment numbers. Total employment numbers are used in conjunction with the sample employment and production workers to expand the sample data of an industry to represent the total industry. By using benchmarked employment which is based on an actual employment count, hours and earnings calculations are more accurate.

The inclusion of increased sample, adjustments to increase reliability, and addition of more accurate employment data all serve to refine hours information as finely as possible with existing techniques. Efforts are underway to benchmark hours and earnings with a complete enumeration but it is unlikely that a technique will be developed in the near future.

Updating hours and earnings data in the manner described here provides the third refinement in the series. First is preliminary estimates, then revised estimates, and finally 'benchmarked' estimates. For those who use average weekly hours and average hourly earnings as a time series, give consideration to updating the series with the improved hours and earnings data. Benchmarked hours and earnings information for 1985 will be available February 1986.

Current Trends

The food and kindred products sector of manufacturing began its seasonal increase in average hourly earnings and decrease in average weekly hours. Once the salmon have completed their run up the streams seafood processing employment decreases substantially. With no activity in the industry a decrease in average weekly hours results. The departing employees are the lower paid seasonal workers. Their departure leads to an increase in average hourly earnings.

Average weekly hours in the lumber and paper products sector of manufacturing are above year ago levels. This is a continuation of a trend that started in August following the closure of a pulp mill in Sitka. As a result of the closure the few remaining employees work full shifts rather than abbreviated work weeks.